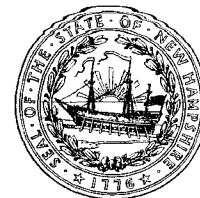




The State of New Hampshire
Department of Environmental Services



Michael P. Nolin
Commissioner

January 11, 2006

John Tattersall
Vice President
Lydall, Inc.
P.O. Box 328
Troy, New York 12181

CERTIFIED MAIL (7099 3400 0018 1290 6627)
RETURN RECEIPT REQUESTED
LETTER OF DEFICIENCY
No. ARD 06-001
(Sta.S)

RE: Lydall Industrial Thermal Solutions, Inc.
775 Route 16, Ossipee, NH 03864

Dear Mr. Tattersall:

On July 29, 2005, the New Hampshire Department of Environmental Services, Air Resources Division ("DES") conducted a compliance inspection at Lydall Industrial Thermal Solutions, Inc. ("Lydall"). The purpose of the inspection was to determine Lydall's compliance status with NH Administrative Rules Env-A 100 *et seq.*, Temporary Permit FP-T-0055 ("the Temporary Permit"), and State Permit to Operate PO-B-2040 ("the Permit"). DES issued the Temporary Permit to Lydall on November 8, 2000, and it expired on April 30, 2002. However, since Lydall timely applied for an operating permit prior to the expiration date, the terms and conditions of the Temporary Permit continued to be in force until the operating permit was issued on August 22, 2003. The purpose of this Letter of Deficiency ("LOD") is to notify Lydall of the violations discovered during the inspection and subsequent file review and the necessary actions needed to resolve them. The specific violations are as follows:

1. Condition III.B of the Temporary Permit limited the operation of Generator #1 to 200 hours during any consecutive 12-month period. Lydall reported operating Generator #1 for more than 200 hours for 15 consecutive 12-month periods during the 20 consecutive 12-month periods of January 2001 through July 2003. See Attachment 1.
2. Condition III.C of the Permit limits the fuel consumption for Generator #1 to less than 662 gallons of #2 fuel oil or diesel fuel per consecutive 12-month periods. Lydall reported burning more than 662 gallons of fuel in Generator #1 for numerous 12-month periods in calendar years 2003 through 2005. While Lydall was not able to produce monthly fuel usage records for 2005, Brian Thompson of Lydall told Karen Rantamaki of DES by telephone on December 6, 2005, that Generator #1 used 3,915 gallons of fuel from January through July, 2005, for a monthly average of 559 gallons. Accordingly, Lydall exceeded the fuel usage limit for each 12-month period ending in 2005. See Attachment 2.
3. Condition X.D of the Permit requires Lydall to report to DES permit deviations that last longer than nine consecutive days even if they do not cause excess emissions. Further, Condition X.D.1 requires Lydall to report the deviation by telephone, fax or email on the tenth day of the deviation. Lydall did not notify DES of any of the violations listed in paragraphs 1 and 2 above.

4. Condition X.F of the Permit requires Lydall to submit a summary of all permit deviations on an annual basis. Lydall has not submitted any annual permit deviation summaries for the years 2001 through 2004.

DES believes that Lydall can resolve the above referenced deficiencies by taking the following actions:

5. Within 30 days of the date of this LOD, submit the records required by the Permit as specified in paragraph 4 above, for calendar years 2001, 2002, 2003, and 2004.

In addition to resolving the deficiencies noted above, the changing circumstances regarding the generators require action on Lydall's part. Stanley P. Drelick of Lydall wrote a letter, dated August 3, 2005, to Craig Wright of DES regarding the cessation of electrical generation at the facility. Mr. Drelick stated that electricity is now being supplied to the facility by PSNH and that two diesel generators would be kept for stand-by use in the event of a power failure. Mr. Drelick asked that Lydall be released from the obligation to pay emission-based fees and from recordkeeping requirements.

Lydall is required to obtain permits for the two diesel generators, even if the generators are used only in the event of power failures. Owners or operators of emergency generators may request either a General State Permit ("GSP") for Internal Combustion Engines Used as Emergency Generators or an individual State Permit to Operate. Today we received from you the forms needed to register the generators for a GSP. However, the Permit does not expire until 2008, so you will need to request its termination and confirm in writing that generators #2 and #3 have been removed from service.

In the event compliance is not achieved within the time periods indicated, DES may initiate formal action against Lydall, including issuing an order requiring the deficiencies to be corrected and/or referring this matter to the NH Department of Justice for imposition of civil and/or criminal penalties. DES reserves the right to pursue administrative fines for the violations noted above.

If you believe that DES has cited these violations in error or have questions regarding these matters, please contact Barbara Hoffman at (603) 271-7874, Compliance Bureau, Air Resources Division. A current copy of the Air Resource Division rules can be obtained from the DES website at <http://www.des.state.nh.us/Rules/air.htm>, or by contacting the DES Public Information Center at (603) 271-2975.

Sincerely,

A handwritten signature in black ink, appearing to read 'COPY' with a stylized flourish at the end.

Pamela G. Monroe
Compliance Bureau Administrator
Air Resources Division

PGM/blh

Attachments

cc: R. Kurowski, EPA Region 1
G. Hamel, NHDES Legal Unit
M. Eldridge, Ossipee Town Administrator
AFS #3300390149